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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

September 25, 2000

Magalie Roman Salas, Secretary
Federal Communications Commission
445 - 12th Street, S.W.
TW-A325
Washington, D.C. 20554

Re: Ex Parte Presentation in CC Docket No. 96-98

Dear Ms. Salas:

Today the undersigned, accompanied by David A. Gusky and Stephen D. Trotman, Executive Vice President and Vice President - Industry Relations, respectively, of the Association of Communications Enterprises ("ASCENT"), met with Jordan Goldstein, Legal Advisor to Commissioner Susan Ness, to discuss ASCENT's Petition for Reconsideration of the Commission's *Third Report and Order* in CC Docket No. 96-98. The attached materials were distributed at that meeting.

Respectfully submitted,

Charles C. Hunter

Charles C. Hunter

Attachment

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List A B C D E

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ASCENT
Association of Communications Enterprises

The Three Line Cap
A Smaller Carrier Perspective:
Lost Opportunity, Lost Benefits, Lost Cause

Lost Opportunity

- Four years following enactment of the Telecommunications Act of 1996, CLECs provide only four percent of local loops; less than a quarter of the four percent are provided using unbundled loops, with an even smaller percentage being associated with self-provisioned switching

- Wholesale margins are too low to provide a viable long term competitive opportunity, and may well decline in the wake of the Eighth Circuit's most recent proclamations

- Unbundled local switching is only available from incumbent LECs; switch-based CLECs rarely offer local switching on an unbundled basis

- The UNE-Platform provides smaller CLECs with a viable opportunity to compete; TELRIC pricing, in conjunction with access revenues, generally produces workable margins at least for business customers

- The UNE-Platform allows smaller CLECs to achieve the customer and revenue thresholds necessary to support switch acquisition

Lost Benefits

- Small businesses have historically been the last to benefit from telecommunications competition; small carriers have traditionally targeted this under-served market

- Businesses using four to twenty lines constitute the large majority of small business telecommunications customers and a substantial percentage of all business customers

- Switch-based CLECs target businesses capable of supporting high-capacity arrangements (*i.e.*, twenty or more lines); among ASCENT's members, the average number of lines-per-customer provided by CLECs using the UNE-Platform ranges between the single digits and the low teens

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- It is not economical to use self-provisioned switching to serve multi-line business customers who cannot support high-capacity arrangements; because costs are incurred on a per-loop basis, provisioning multiple DS-0 loops renders the provision of service to small business customers unprofitable

- EELs constitute a significant cost component for CLECs migrating to self-provisioned switching

- Lack of access to unbundled local switching diminishes service quality and timeliness for small business customers

Lost Cause

- The Commission correctly determined that lack of access to unbundled local switching materially impairs a CLEC's ability to provide local service by raising costs, causing delays, and limiting the scope and quality of service offerings

- The Commission was correct in concluding that the mere presence of a handful of CLEC switches in a given market does not alter this impairment analysis

- The Three-Line Cap cannot be squared with the Commission's impairment determinations, because the economics of serving a three-line customer do not differ materially from the economics of serving a five, eight, twelve, etc.-line customer; non-recurring provisioning costs are incurred on a loop-by-loop basis

- Expansion of the geographic area within which a line cap would apply would be inconsistent with the Commission's impairment analysis, as well as market realities